

Central Intelligence Agency



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**DIRECTORATE OF INTELLIGENCE**

24 January 1984

**Japan: Trade With Cuba**

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**Summary**

Japan's trade with Cuba has declined dramatically over the past three years, falling from \$421 million to an estimated \$180 million in 1983. Havana's debt problems, US pressure, and Tokyo's concern over Cuban political policies worldwide have contributed to this decline.

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Trade is unlikely to drop much further, however. The price of sugar, Havana's most important export, rose significantly in the last year, improving Cuba's ability to pay its trade debts. In addition, some Japanese firms profit from business with Cuba and probably will continue trading despite Tokyo's disincentives. Cuba will make every effort to maintain ties to its most important non-Communist economic partner.

**Trade Drops Off**

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Commerce between Japan and Cuba began to fall off in the early 1980s, when Havana faced a mounting debt crisis precipitated by plummeting world sugar prices and poor harvests in 1982 and 1983. Sugar generates about 85 percent of Cuba's

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This memorandum was prepared by [redacted] Japan Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 20 January was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Japan Branch, Northeast Asia Division, OA, [redacted]

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hard currency earnings. [REDACTED]

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Cuba had difficulty filling its 1983 sugar contracts with Japan and was frequently late with shipments. Poor harvests forced it to purchase several hundred thousand metric tons through trading companies to meet contracts last year. Japanese traders have not yet negotiated 1984 contract amounts, but the Cuban share of the market will probably drop as Japanese importers look to other, more reliable suppliers. Domestic factors also have contributed to Japan's declining sugar imports. Sugar consumption is falling and Japanese sugar producers have complained that Cuban imports are threatening their market. [REDACTED]

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Japanese imports of Cuban nickel ceased entirely in June 1983, when Tokyo signed the US-Japan Nickel Certification Agreement. Under the agreement, only one company, Nisshin Steel, can import Cuban nickel. Nisshin does not export to the United States. Total imports stand at only 341 tons for 1983, compared with previous levels of 1,400 tons per year. [REDACTED]

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The decline in Japanese exports to Cuba has been dramatic across the board, but industrial and transport machinery exports have been hardest hit. The Japanese Government, reacting to US pressure and reflecting genuine concern over Cuban activity in Central America and elsewhere, has taken a tough stand on debt rescheduling and export insurance. [REDACTED]

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#### Industry's Attitude Toward Cuba Trade

Despite the Japanese Government's hard line toward Havana, some private firms remain interested in Cuba trade. Several smaller companies specialize in trade with socialist countries.

Other firms have chosen to maintain ties to Cuba simply in an effort to ensure payment of past debts. [REDACTED]

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### Future Prospects

Japan-Cuba trade has probably bottomed out. A further government clamp down is unlikely without significant pressure from Washington. Japanese traders have already factored Cuba's debt problems into their planning, and with sugar prices up more than 50 percent higher in 1983, Cuba's sugar revenues are probably on the rise. Even if this year's harvest is not much higher than the 1983 level of 7.2 million tons and sugar prices remain roughly the same, Cuba's hard currency revenues should be 30 percent higher. Cuba has optimistically forecast a 1984 harvest of over 8 million tons. [REDACTED]

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As long as Cuba is able to keep up with its rescheduled debt payments and Japanese firms dealing with Cuba continue to profit, trade probably will remain near its current level and could even rise depending on Havana's foreign exchange earnings. Also, Havana is likely to pursue efforts to encourage trade with Japan. [REDACTED]

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The Soviet Angle

Continued Cuban imports from Japan have irritated Moscow. Japan accounts for 20 percent of Cuba's free world imports, providing essential machinery and pharmaceuticals not available from the USSR and Eastern Europe.

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## Japan Trade with Cuba

(Millions US \$)

Imports from Cuba

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983 (3 qtrs.)</u>
<b>Total</b>	<b>188</b>	<b>154</b>	<b>114</b>	<b>61</b>
Foodstuffs	176	146	103	56
Raw materials	11	7	8	2
Manufactures	1	0	2	3
Chemicals	0	0	2	3
Semi-finished	0	0	0	
Machinery	1	0	0	0
Consumer goods	0	0	0	
Other	0	0	0	0

Exports to Cuba

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983 (3 qtrs.)</u>
<b>Total</b>	<b>241</b>	<b>267</b>	<b>126</b>	<b>69</b>
Foodstuffs	1	2	0	0
Raw materials	6	5	2	1
Fuels	2	3	0	0
Manufactures	230	255	123	68
Chemicals	19	27	11	12
Semi-finished	86	75	32	21
Machinery	80	97	47	26
Transport	38	46	27	4
Consumer goods	8	10	7	5
Other	1	2	1	0

Source: Japanese Ministry of Finance

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IDI/OEA/NA/J, [redacted]

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